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September 11, 2019

Ms. Susan J. Riley
Interim President and CEO
PJM Interconnection
PO Box 1525
Southeastern, PA 19399

Ms. Riley,

As you know, Michigan and other portions of the Upper Midwest experienced historically extreme cold weather from January 29, 2019 to February 1, 2019 due to a polar vortex. During this time, Consumers Energy asked natural gas customers to reduce usage and lower thermostats after a fire at its largest natural gas storage facility. In addition, both Consumers Energy and DTE Electric were called upon by the Midcontinent Independent System Operator (MISO) to ask their electric customers participating in voluntary demand response programs to curtail electricity usage to respond to regional constraints in electricity production across the Midwest. This was in response to MISO's declaration of an energy emergency due to power plant outages across the region during the extreme cold.

These events prompted the Governor to send a letter requesting the Michigan Public Service Commission to undertake a statewide review of the supply, engineering, and deliverability of natural gas, electricity, and propane systems, as well as contingency planning related to those systems.

The final assessment was completed this week and highlighted many short- and long-term opportunities to improve reliability and resilience while considering the related costs and benefits to Michigan ratepayers. Given the majority of Michigan is in the MISO footprint, the report offers multiple considerations that are MISO specific. However, there are some broader RTO-related recommendations that we want to highlight for PJM's consideration:

- For several reasons, demand response did not meet performance expectations during the polar vortex. While PJM's demand response construct differs in important ways from MISO, there is still an opportunity to improve tariffs and operating protocols to ensure demand response achieves its full potential as a cost-effective, reliable resource at the wholesale and retail levels. As such, we would like to collaborate with PJM to improve the testing, design, and operations of demand response resources.
- A robust transmission system is essential to ensure cost-effective, reliable delivery of power and the flexibility to accommodate changing energy resources. We recommend that PJM institute a larger focus on long-term regional transmission planning in coordination with the states and stakeholders to more proactively plan for new energy resources. Further, to ensure ratepayer protection and optimize system upgrades, PJM should carefully consider alternatives to transmission line projects, including energy efficiency, distribution enhancements, and new generation.



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- Given the growth in deployment of distributed energy resources (DERs), integrating these DERs into RTO forecasting models is needed to ensure the continued reliability of the bulk electric system. We support efforts to ensure greater transparency of utility electric distribution systems to enhance RTO planning and forecasting.
- As Michigan is a member of two different regional transmission organization (RTOs), it faces unique challenges with importing capacity. We recommend PJM and MISO work with Commission staff and stakeholders on solutions to increase Michigan's import capability in the near term and develop an appropriate cost recovery approach for these types of projects.
- The increased reliance on natural gas generation for electricity and the fire at the Ray gas storage facility occurring at the same time as MISO's declared emergency all highlight the need for improved coordination between electricity and natural gas systems during emergencies. We recommend PJM, MISO and the other RTOs continue to coordinate with the natural gas industry to improve coordination and emergency preparedness, including preparing for worst-case scenarios. In addition, we invite PJM to participate in an emergency exercise hosted by the State of Michigan to help identify priorities for decision makers in sustaining natural gas and electricity service during emergencies.

The State of Michigan would greatly appreciate your consideration of these recommendations to improve electric reliability and resiliency. We recognize that PJM has ongoing stakeholder discussions related to several of these recommendations and ask that these efforts be prioritized to mitigate risks associated with extreme weather and the rapidly evolving energy system. In particular, we want to emphasize the urgency of regional transmission planning given the interest among states and the long-lead time to plan and construct new infrastructure.

We recognize there are fundamental differences between MISO and PJM that result in unique market structures, operations and transmission planning processes. The Commission is happy to discuss the report and its recommendations in greater depth with PJM leadership.

Thank you for your ongoing work to ensure that the region's energy is delivered in an innovative, reliable and cost-effective manner.

Sincerely,

Gretchen Whitmer
Governor of Michigan

Sally Talberg
Chairman of the Michigan Public Service Commission

CC: Dana Nessel, Attorney General
Orlene Hawks, Director of the Department of Licensing and Regulatory Affairs
Liesl Clark, Director of the Department of Environment, Great Lakes, and Energy
Neil Chatterjee, Chairman, Federal Energy Regulatory Commission
Ake Almgren, Chair, PJM Board of Directors

ATTACHED: State Energy Assessment Request Letter from Governor Whitmer
Final State Energy Assessment Report